



BOARD OF EQUALIZATION

BUSINESS TAXES COMMITTEE MEETING MINUTES

HONORABLE DEAN F. ANDAL, COMMITTEE CHAIR

450 N STREET, SACRAMENTO, ROOM 121

MARCH 16, 1999 — 3:30 P.M.

**Agenda Item: Assembly and Installation of Modular Furniture
(Regulation 1521)**

Issue

Should Sales and Use Tax Regulation 1521, *Construction Contractors*, be amended to provide that all on-site labor to assemble, install, set up, and construct modular panelized office systems is exempt installation labor?

Committee Discussion

Staff's position as outlined in the issue paper is that modular systems furniture is tangible personal property as opposed to fixtures, and has included in the proposed amendment to Regulation 1521 a suggestion that retailers may claim the two percent labor deduction in lieu of separately accounting for the actual installation labor charges incurred. Staff also proposed to include a statement explaining under what circumstances a contract to furnish and install wall panels or demountable wall units will be considered a construction contract. In response to a recent suggestion from the Business and Industrial Furniture Manufacturing Association, staff now recommends deleting from the proposed regulatory language the explanation about the furnishing and installation of wall panels or demountable wall units as a construction contract.

There were a number of speakers representing the carpenters' union, manufacturers, and retailers, most of whom agreed with staff's position, but argued that installation labor was actually ten percent rather than two percent.

Committee Action/Recommendation

The Committee approved the substitution of ten percent for staff's proposed two percent, representing installation labor, and directed staff to draft a new proposed regulation for Modular Furniture, authorizing a request to publish. Staff will prepare a new Regulation 1583 for public hearing to incorporate the approved language regarding sales and installation of modular systems furniture with a ten percent (10%) labor deduction in lieu of separately accounting for the actual installation labor charges but excluding reference to wall panels or demountable wall units.

Agenda Item: Successor Liability – Penalties (Regulation 1702)

Issue

Should Regulation 1702, *Successor Liability*, be amended for clarity and to make it consistent with current statute provisions?

Committee Discussion

There were no speakers in opposition or support of staff's recommendation. It was explained that Revenue and Taxation Code section 6814 is the statutory authority for the proposed amendment.

Committee Action/Recommendation

The committee approved staff's recommendation to request authority to publish the amendments to Regulation 1702.

Approved: /s/ Dean F. Andale
HONORABLE DEAN F. ANDAL,
Committee Chair

 /s/ E.L. Sorenson, Jr.
E. L. Sorensen, Jr., Executive Director

BOARD APPROVED
at the 3/17/99 Board Meeting

 /s/ Janice Masterton
Janice Masterton, Chief
Board Proceedings Division